



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0399	Title:	Establish principles for provider rates
Primary Sponsor:	Furey, Timothy	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$528,432	\$360,113	\$254,805	\$398,955
Federal Special Revenue	\$528,432	\$360,113	\$254,805	\$398,955
Revenue:				
Federal Special Revenue	\$528,432	\$360,113	\$254,805	\$398,955
Net Impact-General Fund Balance:	<u>(\$528,432)</u>	<u>(\$360,113)</u>	<u>(\$254,805)</u>	<u>(\$398,955)</u>

Description of fiscal impact:

HB 399 requires the Department of Public Health and Human Services (DPHHS) through the Commission on provider rates and services to review and make recommendations on provider rates and services for those providers, who contract with the department to provide services to individuals living in community settings. This will be facilitated primarily by contracting with a successful bidder to collect and analyze cost reports of the department's service providers.

FISCAL ANALYSIS

Assumptions:

1. HB 399 requires analysis of provider reimbursement rates for children's mental health, adult mental health, developmental disabilities services, senior and long term care services, and services provided to a child in the legal custody of the state.
2. HB 399 requires DPHHS to collect and analyze data for the following providers:

Type of Providers	Number of Providers	Contract Cost	Funding		
			General Fund	State Special	Federal Fund
CFSD			50.00%	0.00%	50.00%
Licensed Foster Care Homes					
Regular Group Homes					
Therapeutic Group Homes	13				
Shelter Care Facilities	10				
Therapeutic Family Foster Care	8				
CFSD Total	31	\$300,000	\$150,000	\$0	\$150,000
DSD			50.00%	0.00%	50.00%
DDP Community Services	57				
DSD Total	57	\$44,000	\$22,000	\$0	\$22,000
HRD			50.00%	0.00%	50.00%
Hospital - Inpatient	13				
Hospital - Outpatient	44				
Personal Care Agency	1				
Psychologist	52				
Physician	209				
Psychiatric Res. Treatment	11				
Laboratory	5				
Social Worker	89				
Mid-Level Practitioner	78				
Rural Health Clinic	26				
Federally Qualified Health Center	13				
Licensed Professional Counselor	217				
Mental Health Center	9				
Case Management - Mental Health	8				
Therapeutic Group Home	12				
Therapeutic Foster Care	5				
Psychiatrist	37				
HRD Total	829	\$844,030	\$422,015	\$0	\$422,015
SLTC			50.00%	0.00%	50.00%
Home & Community Based Agencies	272				
Assisted Living Homes	180				
Personal Care Agencies	34				
Case Management	20				
Hospice	20				
Home Health	18				
SLTC Total	506	\$500,000	\$250,000	\$0	\$250,000
AMDD			50.00%	0.00%	50.00%
Primary Mental Health Providers	6				
Chemical Dependency	21				
AMDD Total	27	\$330,000	\$165,000	\$0	\$165,000
Total Providers	1,450	\$2,018,030	\$1,009,017	\$0	\$1,009,017

3. The cost analysis will be phased in over a four year time frame.
4. The assumptions below stagger the studies by division as follows:
 - FY 2010 – Health Resources Division
 - FY 2011 – Senior and Long Term Care Division
 - FY 2012 – Addictive and Mental Disorders Division
 - FY 2013 – Child and Family Services Division
5. HB 399, Section 1 (3) requires “periodic analysis of both existing provider reimbursement rates and the factors relevant to provider reimbursement rates pursuant to 53-10-211.” Section 7 (2) (b) requires the department to update the data every 2 years.
6. The Disabilities Services Division has already completed a rates methodology study and in FY 2010 will begin the two-year adjustment cycle required in this bill.

Health Resources Division

7. This fiscal note is based on one in-house cost study of one provider category (16 providers in this category) completed in 2008. Costs were \$76,730 for this study.
8. The Health Resources Division (HRD) has 11 provider categories.
9. Based on the FY 2008 costs for one provider category, it will cost \$844,030 to do rate analyses for all 11 categories ($\$76,730 \times 11 = 844,030$).
10. HRD will need to hire 1.00 FTE, Rate Specialist, pay band 6, position to manage the data analysis on an ongoing basis. Salary and benefits are estimated to total \$48,918 in FY 2010.
11. Related FTE costs: Computer & office setup in FY 2010 (\$2,600), rent (120 sq ft @ 22./ft = \$2,640) supplies and materials, communications, travel (\$4,500/year). Total = \$9,740 in FY 2010.
12. A 2.5% inflation factor is estimated in each year after FY 2010, except for personal services in FY 2011.

Senior and Long Term Care Division

13. Senior and Long Term Care Division estimates that a study and cost finding exercise would be comparable to the cost of a study undertaken by Alaska of its home and community based providers and assisted living homes. This study cost approximately \$500,000. It is estimated that this would start in FY 2011 and would be funded at the 50/50 Medicaid administrative match rate.
14. HB 399 indicates that the department shall update the data for each provider group every 2 years after the completion of the initial data collection and analysis. The cost finding tool developed through the contract would be utilized on an ongoing basis by the Senior and Long Term Care Division. The Division will need additional staff resources to collect and analyze these data. 1.00 FTE Rate Specialist will be needed to manage these data activities on an ongoing basis. Salary and Benefits are estimated at \$48,918 in FY 2011.
15. Related FTE costs: Computer & office setup in FY 2011 (\$2,600), rent (120 sq ft @ \$22.55./ft = \$2,706) supplies and materials, communications, travel (\$4,613/year). Total = \$9,919 in FY 2011.
16. A 2.5% inflation factor is estimated in each year after FY 2011.

Addictive and Mental Disorders Division

17. This bill will apply to home and community based adult mental health as well as chemical dependency rates for both adults and children.
18. All reimbursement rates will be for fee-for-service or case rates. Market based rates would not apply.
19. The Addictive and Mental Disorders Division (AMDD) would hire a Rate Specialist, pay band 6. The Rate Specialist would be responsible for developing and awarding the Request for Proposals, establishing standards and documentation for the contract deliverables, coordinating between the contractor and providers, establishing policies and administrative rules, assimilating the data into a rate model and developing individual rates, coordinating with the commission on rates and service categories, and coordinating with LFD and OBPP. The FTE would be hired July 1, 2011. Salary and benefits are estimated at \$51,141 in FY 2012.
20. AMDD does not have the resources to gather and analyze provider financial information and will contract for those services. A contract will be awarded to a firm who specializes in and will gather the appropriate

and relevant financial data for cost recovery purposes from service providers. Data would be collected every two years. The cost would be \$300,000 in FY 2012, with 10% additional costs for travel and related expenses (\$30,000). Total project term would be 12 months, with the contract beginning in December 2011. Half of the contract cost, or \$165,000 would be spent in FY 2012 with the other portion of the contract being spent in FY 2013.

21. Related FTE costs: Computer & office setup in FY 2012 (\$3,400), rent (120 sq ft @ \$23.11./ft = \$2,773) supplies and materials, communications, travel (\$4,728/year). Total = \$10,901 in FY 2012.
22. Inflation of 2.5% is applied in each consecutive year.
23. Funding would be 50% GF and 50% Federal Funds. Breakdown is as follows:

	FY 2010	FY 2011	FY 2012	FY 2013
General Fund	\$0	\$0	\$121,898	\$104,434
Federal Fund	\$0	\$0	\$121,898	\$104,434
TOTAL :	\$0	\$0	\$243,796	\$208,868

Child and Family Services Division

24. This bill only applies to children in the custody of CFSD. Entities that would be included in the cost study would include: a) licensed foster care homes, b) Regular Group Homes (6 group homes), c) - Therapeutic Group Homes (50 group homes/13 providers), d) Shelter Care Facilities (13 facilities/10 providers) and e) Therapeutic Family Foster Care (provided by Child Placing Agencies) (8 providers with 15 different locations).
25. Residential Treatment Facilities will be included in the Health Resources Division analysis.
26. The cost studies will be contracted out to a private firm that specialized in analysis of cost reports.
27. Contracted services are estimated to cost \$300,000.
28. The Child and Family Services Division (CFSD) will need to hire a full time Program Manager to serve as a Rate Specialist who will work with the contracted provider. This FTE would be responsible for developing a Request For Proposals, monitoring and reviewing rates, establishing standards for desired outcomes, amending administrative rules and CFSD policies, working with the contractor, coordination between contractor and providers, providing information to CFSD and DPHHS management, commission on provider rates and services, and legislative interim committees. The FTE would be in pay band 6. Salary and benefits are estimated at \$51,394 in FY 2013. Hire date will be July 1, 2012.
29. Related FTE costs: Computer & office setup in first year (\$2,600), rent (120 sq ft @ \$23.67./ft = \$2,843) supplies and materials, communications, travel (\$4,846/year). Total = \$10,289 in FY 2013
30. Total cost would be \$361,683 in FY 2013 (\$300,000 + \$51,394 + \$10,289).
31. This is an allowable IV-E administrative cost. Funding would be 50% general fund and 50% federal funds, for a total of \$180,842 general fund and \$180,842 federal funds.

Disability Services Division

32. The methodology already established by the division for Developmental Disability Program (DDP) reimbursements will meet the rules to be in compliance with this bill. This was accomplished over a five year period to establish the rate methodology for the Developmental Disability system reimbursement at a cost of approximately \$800,000.
33. Every two years, DDP will gather and analyze provider cost data to adjust the benchmarks in the rate reimbursement methodology. Costs for this fiscal note will be shown in FY 2010 and FY 2012.
34. DDP does not have the resources to gather and analyze provider financial information and will contract for these services.
35. Contractor time for data gathering and analysis will total 200 hours.
36. All contractor hours are priced at \$200 per hour and include all overhead expenses except travel and on-site costs.
37. Travel and related on-site expenses are priced at 10% of contractor costs.

38. Administrative costs in DDP are funded 50/50 with state general fund and federal Medicaid funds.

39. Total costs for DDP in FY 2010 will be \$44,000 (200 hours x \$200 per hour + 10% travel), \$22,000 state general fund and \$22,000 federal Medicaid funds.

Quality Assurance Division

40. The Audit Bureau estimates HB 399 will require 2.00 additional FTE to conduct random cost analyses, independent spot checks, audits, and verification analyses of the data.

41. These positions will be pay band 6 Rate Specialists at a total of \$48,919 each in salary and benefits,

42. One time set up costs are included in FY 2010 for each FTE for a total of \$5,200. Ongoing operational costs such as phone and rent are included in each fiscal year for a total amount of \$7,140 in FY 2010 with a 2.5% inflationary rate each year thereafter.

43. Funding is 50% general fund and 50% federal funds, for a total of \$30,629 general fund and \$30,629 federal funds in FY 2010.

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.00	4.00	5.00	6.00
<u>Expenditures:</u>				
Personal Services	\$146,754	\$195,672	\$250,703	\$308,365
Operating Expenses	\$910,110	\$524,556	\$258,906	\$489,545
TOTAL Expenditures	\$1,056,864	\$720,228	\$509,609	\$797,910
<u>Funding of Expenditures:</u>				
General Fund (01)	\$528,432	\$360,113	\$254,805	\$398,955
Federal Special Revenue (03)	\$528,432	\$360,113	\$254,805	\$398,955
TOTAL Funding of Exp.	\$1,056,864	\$720,226	\$509,610	\$797,910
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$528,432	\$360,113	\$254,805	\$398,955
TOTAL Revenues	\$528,432	\$360,113	\$254,805	\$398,955
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$528,432)	(\$360,113)	(\$254,805)	(\$398,955)

Long-Term Impacts:

1. This bill would result in upward pressure on all provider rates.

Technical Notes:

1. Section 5, subsection (1) directs the department to procure services "with the same procedures used for the procurement of other government services and goods". The subsection also exempts the process from the procedures of the Montana Procurement Act and those for state construction projects. This contradiction is difficult to interpret.

2. Section 5, subsection (2) directs the department to "consider the costs of meeting applicable federal and state regulations." Federal and state regulations cover a broad scope of topics with many requirements. This provision could encompass consideration of costs that are not elements of reimbursement for Medicaid and other federal services.
3. Section 5, subsection (3) directs that "rates must be driven by standards established for the desired outcomes of the services provided." This language regarding outcomes seeks consideration of how well the consumers are served and appears to be contradictory to the later requirements in the bill in Section 6, subsections (2) and (3), which direct the department to give consideration to a set of factors and costs that almost exclusively pertain to provider costs.
4. There are contradictions of purpose and definition among Section 6, specifying programs for which the Department must establish rate methodologies and reimbursement rates and Sections 4 and 5, which outline duties of the Commission and the Department.
5. It is unknown if the bill is meant to address all providers of services including physicians.

Sponsor's Initials

Date

Budget Director's Initials

Date